Bangladesh at a crossroads of development

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The awareness on monetary policy in our country is gradually increasing. Dhaka University has been playing a pivotal role in making it understandable by students and other professionals. A time will come when we will hear a lot of discussion on monetary policy in different important venues including Jatiya Sangsad, our national parliament.

Explaining national policies in front of the students is a noble job, because it makes our students engaged in our country's growth and development process. If we fail to do so, our march for growth and the uplifting of our standard of living will not be participative and inclusive. We want our students be best citizens to lead the country. That is why including them in the understanding of important national policies will benefit all of us in the future. In the past, we have seen that the Fed Chair Professor Bernanke delivered lectures even to undergrad students at George Washington University. His lectures were later on used in many seminars to educate college teachers.

As you have seen in the US, the Federal Reserve arranges an annual competition called the Fed Challenge. Hundreds of students read and learn about the Fed system while participating in such competitions. We can arrange similar types of competition that will enrich the knowledge base of our students and they will feel more engaged in understanding the whole banking system - which is crucial to ensure financial stability.

Our monetary policy has done commendable job in comparison to our comparable neighbours. But that should not be seen as a record that we are the best. We still need a lot of improvements every financial year, every month, and even every day. We need to maintain our stability at any cost to steer further growth in the years to come.

Although our stability in both inflation and growth is the best in the region, our per capita income is still not the best. Of course our trend is satisfactory, but we have to take the full advantage of liberalisation and economic reforms to grow as fast as 7-8 per cent per year. We have to include all segments of people, such as peasants, workers, women, and the poor to expand the activity base of growth. That is how we can make our growth resilient and sustainable.

Simply high growth cannot be prudential for an emerging economy like Bangladesh. Growth must be sustainable to ensure steady pace of development. Growth must be long-lasting to fight poverty and to take the economy to the middle income bracket by 2021. The activity base of growth must be expanded by empowering the masses. Herein lies the essence of inclusive growth, which is instrumental to strategising a new monetary policy for Bangladesh Bank.

Bangladesh is now at a crossroads of development. The growth momentum that the country has achieved over the last decade must be continued and should be further energised to help the economy graduate to the middle income bracket by 2021. In compliance with the government's target, Bangladesh Bank designs its demand side strategies in support of that goal.

Bangladesh Bank monitors the recent rise of nonperforming loans with concern and care. While many of these figures are potentially alarming, Bangladesh Bank has already taken some corrective measures to clamp down on classified loans. Digital technology has been deployed to investigate big financial transactions and loans in order to stop the repetition of banking irregularities. The Real Time Electronic Dashboard is an example in this regard.

Bangladesh Bank initiatives on inclusive and green financing are yielding positive outcomes in terms of macroeconomic and financial stability, domestic demand driven broad based inclusive output growth and faster decline in poverty. Agriculture, SMEs, and green projects have faced no credit crunch in Bangladesh during or following the global financial crisis. Incremental output from the agriculture sector and SME (small and medium
To conclude, the noted central banker Alan Blinder asserted that both central banks and the academics should learn from each other and thus enrich a country's policymaking so it can serve the nation in the best possible way. Let us all try best to make our country a role model of quality education and civic engagement. That is how we can ensure a prosperous Bangladesh and a dignified nation in the globe.

The article is adapted from a speech Dr. Atiur Rahman gave at a seminar on 'Monetary Policy' held at the Business Faculty, Dhaka University on March 21, 2015.